

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7444

BILL NUMBER: SB 521

NOTE PREPARED: Jan 9, 2011

BILL AMENDED:

SUBJECT: State Deferred Compensation Plan.

FIRST AUTHOR: Sen. Walker

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that if an employee does not choose another amount, the state shall, in each pay period during the first year the employee is automatically enrolled in the state's deferred compensation plan (plan), deduct from the employee's compensation the greater of: (1) the maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan; or (2) two percent of the employee's compensation; and deposit the amount deducted in the employee's account.

The bill provides that the percentage of an employee's compensation used to determine the employee's contribution increases by one-half percent from the percentage determined in the immediately preceding year until the employee's contribution reaches the annual contribution limit set by the Internal Revenue Service.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Payroll System Changes-* The State Auditor's office will need to make minor changes to its payroll system in order to implement the changes in payroll deduction. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Deferred Comp Deduction Amount Changes- The bill changes the initial automatic deduction amounts for the deferred compensation plans for new state employees. The change will not affect state expenditures.

Current statute provides that an amount equal to the administratively determined state matching contribution will be deducted unless the employee chooses a different amount. The bill changes the automatic initial employee deduction during the first year as an employee after June 30, 2011, to be equal to the greater of (1)

the administratively determined state match or (2) 2% of the employee compensation per pay period. Prior to CY 2010, the state match had been \$15 per pay period. However, the Governor announced in December 2009 that the state match was suspended beginning January 1, 2010. Consequently, the automatic initial employee deduction amount will be \$0 for current employees and 2% for new employees after July 1, 2011, unless the employee chooses a different amount, the same as under current statute.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Auditor.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.